Roundtable Talk with Outside Directors



Independent Outside
Director of the Board
Seiko Nagai



Independent Outside Director of the Board
(Chair of the Board, Chair of the Nomination and Compensation Committees)
Hiromichi Ogawa



Independent Outside
Director of the Board
Sachiko Fukuda



Independent Outside
Director of the Board
Atsuko Muraki

Dialogue

Leveraging the insights of Outside Directors, each with a different area of expertise, to exercise monitoring and support sustainable improvement in corporate value through portfolio transformation

Four Outside Directors exchanged opinions on changes in the Oji Group's governance structure and challenges and expectations for the Group's sustainable growth.

Discussions at Board meetings and the role of Outside Directors

Nagai: I get to listen to discussions not only at Board meetings but also from the early Group Management Meeting stage. There really is a great deal of serious discussion, which also helps me make judgments. I feel that M&A proposals, for example, were discussed effectively not only from a short-term perspective but also from a medium- to long-term perspective. The Board of Directors is well-balanced, with each incumbent Outside Director having a different area of expertise. The four of us will complement one another and carry out monitoring firmly.

Fukuda: I understand that efforts are being made to speed up discussions at Board meetings and Group Management Meetings but feel that investors and analysts require an even greater sense of urgency. I also feel Oji needs to be bolder in its implementation of the restructuring of low-profitability businesses and am monitoring that progress in my capacity as Outside Director.

Muraki: I became an Outside Director a year ago, and discussions on price pass-through and the restructuring of low-profitability businesses have enabled me to follow the

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actual state of progress. On the other hand, I am unsure what indicators or time span I should use in supervising the expansion of future growth areas, or how to assess the connection between individual problems and portfolio transformation as a whole. While these are also challenges for me personally, I think adjustments could also be made when it comes to setting the agenda for meetings of the Board of Directors.

Ogawa: I use Long-term Vision 2035 as an important reference point in my judgments. Since Medium-term Management Plan 2027 is positioned as a preparatory phase for Long-term Vision 2035, whenever a proposal comes up at a meeting of the Board of Directors, I consider where this fits into the big picture under Long-term Vision 2035. My own personal yardstick is that a proposal is OK as long as it fits within this framework, and my approach is to make judgments on this basis and ask questions when I do not understand.

Progress of Medium-term Management Plan 2027

Ogawa: I think stakeholders are honestly questioning whether Oji can really achieve the FY2027 numerical targets under Medium-term Management Plan 2027. Various discussions on these points have also been held at Board meetings. I feel that financial strategy, including the sale of strategic shareholdings, is being managed really effectively. When this is viewed in conjunction with positive factors such as the emerging effects of price pass-through and the restructuring of low-profitability business during FY2025, then I think the numerical targets are not unachievable. The realization of stable operations will also be an important point in the future.

Muraki: Oji's commitment to safety and stable operations is clear to see, with safety management brought up a great deal in reports of briefing sessions for Outside Officers.

Fukuda: One of the main causes of operational issues is probably aging production facilities; however, because decisions on whether to radically upgrade production facilities or partially extend their useful life also relate to Oji's business direction, quick judgments on Oji's business options are required.

Nagai: I think that initiatives for stable operations have been stepped up the last few years and provisions have been made, taking into account the necessary costs. On the other hand, I think that the timing of price pass-through is important and needs to be scrutinized.

Ogawa: I think that business portfolio transformation, which will no doubt remain a major theme under the next Medium-term Management Plan, is going to involve some big management decisions as expected. I say this because these decisions are also costly to implement.

Fukuda: At the time of the FY2025 financial results announcement, investment for developing new businesses and expanding existing promising businesses, including research and development, was revised downward from an initial target of ¥320 billion to ¥300 billion, as part of a review of cash allocation between now and FY2027. However, I feel that given the need for immediate change from a long-term perspective, it might also be important to intensively invest in key areas alongside efforts to gain the understanding of shareholders.

CxO system effects and issues

Nagai: Adoption of the CxO system has made the division of roles clearer and led to livelier discussions at Group Management Meetings, and each Corporate Officer can now be heard making in-depth remarks related to their own areas of accountability. I have been watching how the Corporate Officers have been trying to coordinate activities across functions, and there is a sense of cross-functional coordination. Proactive initiatives have begun, with the CFO now involved in all investment decision-making and information being exchanged through the CxO meetings.

Muraki: I do not know what things were like before adoption of the CxO system and so cannot compare; however, the cross-functional framework under the CxO system seemed to work seamlessly and effectively in its first year of introduction.

Fukuda: You can feel that the CxO system is up and running. I have particularly high hopes of the role of COO. The Oji Group has never had a cross-functional organization for sales before. I think we will be able to achieve stronger sales activities across the Group as a whole and overall optimization through the agency of the COO.

Nagai: Alongside development of the organizational structure of the CxO system, including deciding what kind of people to put under the command of Corporate Officers, a system for fairly evaluating results achieved in collaboration with another COMPANY is also probably required. I would like to see this mechanism developed urgently to speed up management.

Muraki: At another company where I served as an Outside Director, there was a proper mechanism for allocating results achieved jointly to each business division. Without such a mechanism, individuals inevitably end up wanting to attribute results to the business unit they belong to.

Ogawa: It is true that cross-functional coordination and internal collaboration will not catch on unless it is also personally beneficial. Over the past year, some issues with the CxO system have also come to light, for example, how to approach decision-making authority under the CxO system. On the other hand, communication between Corporate Officers has definitely improved. I feel discussions at Group Management Meetings are also livelier and that there is more of a shared understanding about management issues.

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Changes to the Board of Directors and the Nomination and Compensation Committees

Fukuda: Due to a reduction in the number of Internal Directors, the total number of Directors has decreased and, in FY2025, the ratio of Outside Directors increased. These changes in the Board's composition were intended to strengthen the Board's function as a monitoring board and speed up business execution, and I think we are starting to see those effects. I was a little concerned that reduction in the number of Internal Directors would make it difficult to keep an eye on matters entrusted to the executive side and make it harder to increase the effectiveness of monitoring; however, the careful provision of information at briefings for Outside Officers has more than made up for the reduction in numbers.

Ogawa: The purpose of the recent changes to the Board's composition was, in short, to strengthen the supervisory function. Supervising business execution means checking whether strategies and actual measures that are based on and consistent with Long-term Vision 2035 are being implemented. The reduction in the number of Directors is, of course, detrimental in terms of a loss of Board diversity; however, I have not particularly felt this. On the contrary, the change has been beneficial, allowing us to allocate more time and mental capacity to the supervisory function. The challenge will be how to demonstrate this going forward. As chair of the Board of Directors since June 2026, I think it is important to further enhance the Board's supervisory function based on this structure.

Muraki: Outside Directors are provided with plenty of information. We are able to attend Group Management Meetings and our questions at briefing sessions for Outside Officers are answered immediately based on available data. Details of meetings with investors and outside analysts are also shared with us. As Mr. Ogawa mentioned, the reduction in the total number of Directors resulted in an agile team size, putting in place a structure enabling solid discussion, including supervision of progress toward the Long-term Vision.

Ogawa: The Nomination Committee and the Compensation Committee, both of which I chair, have been composed solely of Outside Directors since FY2025, and the purpose of this change was also to strengthen the supervisory function.

Muraki: Greater transparency is required to enable us to explain both internally and externally the HR and compensation related matters that never used to be articulated much at Japanese companies. The fact that someone from outside the company leads this push for greater transparency is hugely significant. The changes to the composition of the committees were not a formality; rather, they were intended to change the nature of the company and help Oji fulfill its responsibilities toward its stakeholders. With this in mind, I have worked under Chair Ogawa over the past year.

Nagai: I have also served on nomination and compensation committees at other companies. At Oji, I feel that over the past few years things have started to move in the right direction, partly thanks to the hard work of Outside Director Ogawa as chair. Going forward, I hope each of us can leverage our respective outside knowledge to carefully develop even better recommendations within these committees.

Issues and expectations for the future

Muraki: Some companies identify and develop executive and CxO candidates at an early stage. I would, therefore, like to discuss human capital, including how to develop human

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capital suited to the Oji Group. Efforts also need to be made to better understand what Oji's core businesses will be in the future. To become a sustainable strong company, Oji needs to adopt a long-term perspective, envision society 10 or 20 years from now, and ask itself what role Oji will play then and what strengths Oji has to fulfill this role. I think it is the role of Outside Directors to assist with these efforts.

Nagai: Each of the strategies that have been set forth are well thought out and steady progress is also being made on business portfolio transformation; however, I feel we need to further strengthen the sense of unity among employees and get all employees working together as one. Oji's frontline employees are all highly capable, but the question is whether they fully see what they need to do now as their own responsibility. It seems to me that the mechanisms for getting employees onboard are still insufficient. Of course, we as Outside Directors must also continue studying hard to ensure we can provide the necessary support and encouragement.

Fukuda: The Oji Group is, in a sense, blessed in that it is a large organization with a long history and has already put various systems in place. In my usual role as a lawyer, I come across SMEs trying to turn a bad performance around with a strong sense of crisis. It seems to me that, considering the Oji Group is struggling to achieve the ambitious targets set in its Medium-term Management Plan, the entire organization needs to be rallying with a greater sense of crisis.

Ogawa: I think what is needed now is individual capabilities and management and governance to further strengthen individual capabilities. The collective capabilities of the Oji Group are strong. However, if collective capabilities are too strong, individuals tend to rely on those around them and stop making an effort themselves. As a result, the entire organization also tends to become weaker. I would like to see an aggressive mindset, with each individual striving for the top spot in their respective area of business.

Message to stakeholders

Ogawa: The Oji Group is right in the middle of business portfolio transformation. Although simultaneously pursuing innovation and restructuring existing businesses requires a certain amount of investment and time and presents significant challenges, the Oji Group has the human capital and potentiality to be able to overcome this and I am confident the portfolio transformation will be a success.

Fukuda: The Oji Group has adopted "Dedicated to Sustainability" as its new tagline. I guess that stakeholders are interested in the progress of the management plan and numerical targets, but I hope that you will also focus on the fact that the Oji Group's value stems from the contribution it makes to the environment and sustainability.

Muraki: I always think that Japan should value manufacturing capabilities more. The Oji Group in particular is committed to contributing to society through its business activities and its care for forests. This is part of its DNA. Oji is a company likely to continue contributing to society in the future, and I hope that you will all rally behind it.

Nagai: The Oji Group is seriously tackling the issues accompanying its transformation and is striving to become a company that can live up to the expectations of its stakeholders. I hope we can rely on your support to enable Oji to continue achieving growth as a company committed to "Growing Forests, Utilizing Forests."

Greeting from newly appointed Outside Director



Independent Outside Director of the Board

Hiroji Adachi

In my previous role at ENEOS Holdings, I gained experience in a wide range of fields including management strategies, oil refinery plant operations, safety management, energy conservation and capital investment, and overseas projects. With domestic oil demand declining, I worked on large-scale mergers to improve the efficiency of production, transportation, and sales, as well as the shift to renewable energy and LNG businesses, and came to recognize the importance of improving production efficiency through PMI and DX.

At the Oji Group, I have been impressed by the scale of the forest resources owned by the Group and by the cheerful atmosphere within the Group. Under its Long-term Vision, Oji has positioned forest biomass and sustainable packaging businesses, both of which use forest resources, as core businesses, and indicated a clear business direction. I also feel that there is enormous potential in the Group's research and development and technological capabilities through which it will leverage its biomass technologies to create new businesses in areas such as semiconductor materials and pharmaceuticals. On the other hand, Oji has a large number of Group companies and a substantial asset base as a result of mergers and acquisitions. Faced with falling demand for its mainstay products, Oji requires the determination and drive to implement asset slimming and business transformation.

Going forward, I will leverage my expertise in the utilization of renewable energy and circular economy to actively express opinions that will help achieve the Medium-term Management Plan and advance the Long-term Vision. As Outside Director, I will do my very best to support the Oji Group in transforming its business and enhancing its corporate value.

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